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SUBJECT: CONGRESSMAN MEEKS DISCUSSES TRADE ACCORD AND LABOR ISSUES

¶1. (U) Summary: During his codel to Peru, Congressman Gregory Meeks met with representatives from the business community and labor organizations. The business leaders laid out a good case for ratifying the accord, citing the probable job creation in the formal sector. The labor leaders said that they are not opposed to trade, but had problems with the way the agreement had been negotiated and with Peru's current labor regime. End Summary.

¶2. (U) Congressman Gregory Meeks visited Peru on May 26-28 to meet with Peruvian leaders to discuss the U.S.-Peru trade agreement. His meetings with President Toledo, Prime Minister Kuczynski and Afro-Peruvians are covered in septels. Ambassador Struble, Congressman Meeks' Legislative Director, Sophia King, and Emboffs also accompanied the Congressman to the meetings.

¶3. (U) Congressman Meeks met with eight members of the business community at the Ambassador's residence: Jose Miguel Morales, President of the Confederacin Nacional de Empresas Privadas (CONFIEP), George Schofield, General Manager of the Sociedad Nacional de Industrias, Jos Pep Chlimper, President & CEO of Corporacion Drokasa-Agrokasa, Aldo Defilippi, Executive Director of the American Chamber of Commerce, Ernesto Montoya, Legal Counsel of Nextel, Fernando de la Flor, General Manager of McDonalds, Mariela Alcalde, General Manager of FedEx, and Guillermo Ferreyros, General Manager of Maple Gas.

Labor Standards - Business Perspective

¶4. (U) Congressman Meeks raised the criticism he had heard in Washington that businesses were sub-contracting rather than hiring permanent employees. The business representatives responded that sub-contracting was a reality of the global economy. They added that Peruvian law does not permit sub-contracting the "core" business in most industries. It is, however, allowed in sectors such as farming, where the work is cyclical. These industries hire subcontractors to cover peak labor demands.

¶5. (U) Congressman Meeks then raised the issue of

enforcement of labor laws, reporting the criticism that even where there were adequate legal protections, the laws were not being enforced. Several of the business representatives responded that the reality was that Peruvian exporting companies are being held to the highest international standards by their customers. The U.S. companies are demanding standards higher than those required under Peruvian law. In effect, the U.S. clients were acting as the enforcers of high standards.

¶16. (U) The Congressman pressed the group on the criticism he had heard that workers were not being allowed to organize. The businesspersons denied this, pointing out that there already existed many large unions.

¶17. (SBU) If the agreement is not implemented and the ATPDEA preferences expire, the Congressman then asked, what would be the impact on the economy. Asparagus and mango farmer Pepe Chlimper reported that there are 250,000 jobs directly related to ATPDEA, and many of those jobs, particularly in the textile and apparel industries, would be lost if the preferences lapsed and the FTA was not in place. Mariela Alcalde, the General Manager of FedEx in Peru, reported that her company is already seeing a decline in shipments by textile producers because of the uncertainty over which tariff rate would apply in the near future.

Positive Impacts - More Jobs

¶18. (U) The businesspersons spoke at length about the positive impact the PTPA would have on the economy. The PTPA will create jobs in the formal sector, since only companies in the formal sector can export. Moreover,

exporting jobs tend to pay more, and formal sector jobs benefit from access to government services, such as social security. Government revenues will increase since formal sector businesses pay taxes.

¶19. (U) The Congressman closed the session by telling the group that he had just met with a group of Afro-Peruvians, and that Afro-Peruvians were being discriminated against. He encouraged the business representatives to provide jobs and training opportunities for them.

Labor Perspective - Secrecy and Sub-Contracting

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¶10. (U) Congressman Meeks met with Peruvian labor leaders to discuss their concerns. Present were Secretary General Juan Jose Gorritti of the General Confederation of Peruvian Workers (CGTP), AFL-CIO Solidarity Center Representative Oscar Muro, and Luis Valer, Vice President of the United Confederation of Peruvian Workers (CUT-Peru). The CGTP is the country's largest labor federation with 1.5 million members.

¶11. (SBU) Juan Jose Gorritti led off the discussion and spoke for the group when he described labor's disappointment with the Toledo Government and labor's reluctance to support the PTPA. He noted that labor conditions had improved dramatically since the Fujimori dictatorship, but there had not been much progress recently.

¶12. (SBU) Gorritti charged that under present conditions, workers can be fired from private enterprises "without reference to cause." According to Gorritti, this, in addition to high levels of unemployment, makes union-formation a difficult task. Gorritti also charged that the millions of new jobs that the Toledo administration created are not solid jobs with good benefits, but temporary work that is highly vulnerable.

¶13. (SBU) Gorritti criticized the GOP's handling of the FTA negotiations, which he claimed were conducted in secret. Gorritti stressed that the agreement should be approved by plebiscite. He questioned the GOP's right to conclude an

FTA with both a lame duck president and an unpopular lame duck Congress.

¶14. (SBU) Oscar Muro of the AFL-CIO and Luis Valer of CUT-Peru echoed Gorritti's complaints about both the GOP's alleged lack of moral authority to conclude an FTA and the scarcity of information for the populace. He cited the booming agro-export sector where, he alleged, during an inspection of 62 farms last year, only four fulfilled the norms for labor. In addition, Muro complained about the seasonal/rotating nature of the agricultural labor force, a fact that allows employers to only gradually extend contract time for employees, enabling them, he charged, to weed out potential union organizers or anyone who would not accept the low wages and precarious job stability under which they are forced to work.

Comment - The Right Voices

¶15. (U) Congressman Gregory Meeks received a very good and broad briefing on the PTPA, democracy and other issues from some of the most important sectors. Based on information gathered on his trip, the Congressman pledged to stimulate the debate on the PTPA in Congress. He indicated his willingness to encourage other Congresspersons to travel to Peru to discuss the trade accord, noting that he would like to return with representatives of the Congressional Black Caucus during the July 4 recess. Post encourages these fact-finding visits and looks forward to working with the U.S. Congress to promote a clear understanding of how the PTPA would benefit both the U.S. and Peru.

¶16. (U) This cable was not cleared by Congressman Meeks' office.

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